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## NATIONAL PETROLEUM COUNCIL

An Advisory Committee to the Secretary of Energy

Thursday,  
December 3, 1981

9:00 a.m. o'clock

Dolley Madison Ballroom  
The Madison Hotel  
Fifteenth and M Streets, N.W.  
Washington, D.C.SECRETARY OF ENERGY:

The Honorable James B. Edwards

CHAIRMAN:John F. Bookout  
President and Chief Executive Officer  
Shell Oil CompanyVICE CHAIRMAN:Robert Mosbacher  
Chairman,  
Mosbacher Production CompanyEXECUTIVE DIRECTOR:

Marshall W. Nichols

P R O C E E D I N G S

CHAIRMAN BOOKOUT: Good morning, ladies and gentlemen. Good morning to you. I wonder if the Eighty-Second meeting of the National Petroleum Council will please come to order.

Ladies and gentlemen, you have before you a copy of this morning's agenda. Our first item of business today would normally be calling of the roll. However, since one-third of the membership represents a forum, I can look about the room and I am certain that we have more than a quorum, so with your approval, I will dispense with calling the roll.

I will suggest, however, so that we will have an accurate accounting of those present, if you didn't sign the register before entering as a member, would you please make arrangements to do that before departing today.

Now, I would like to introduce those at the head table. Here on my very far left is -- where is Al? Okay. Al is not here at the moment.

Next is the Honorable William Bowen, Assistant Secretary of Energy for Environmental Protection. Next is Robert Mosbacher. He is vice-chairman of the council. On my immediate left, of course, is the Honorable James G. Watt, Secretary of the Interior.

On my far right is Marshall Nichols, Executive

1 Director of the Council.

2 Next is Robert Anderson, Chairman of the Arctic  
3 Oil and Gas Resources Committee that you will hear from  
4 a bit later.

5 Then the Honorable Jan Mares, Assistant Secretary  
6 of Energy for Fossil Energy.

7 On my immediate right is the Secretary of Energy.  
8 He is co-chairman, of course, of the council, the  
9 Honorable James B. Edwards.

10 Of course, we all have great admiration for  
11 Secretary Edwards' performance of his duties as Secretary  
12 of Energy and the way that he has managed the affairs  
13 of that department and the close cooperation that we have  
14 enjoyed in the industry.

15 And we are very pleased, of course, to have  
16 him with us this morning. And I believe, Mr. Secretary,  
17 you have some remarks of introduction and other announcements  
18 before we deal with our agenda.

19 SECRETARY EDWARDS: Thank you, John. It is  
20 nice being with you this morning and I want to thank you  
21 for the kind invitation that you gave me last night. You  
22 were almost too hospitable to me, particularly since I  
23 went home and had to read the Arctic Report last night  
24 before I came in this morning. It is nice being here.

25 You know, it is interesting, down home over

1 the holiday weekend talking to a friend of mine, he said  
2 a fellow came into his office shortly after the President  
3 had appointed me to this job and said he was a little  
4 upset, he supported Reagan, he says, and he happened to  
5 be talking to a friend of mine, a real close friend, he  
6 didn't know it.

7 He said, what is wrong with President Reagan?  
8 He said, has he gone crazy, he says, appointing a dentist  
9 to an office like that. I bet he doesn't even know what  
10 a Btu is.

11 This friend of mine says, yeah, he probably  
12 doesn't. He says, he knows what an S.O.B. is and that  
13 is more important in Washington.

14 I want to thank you for what you have done in  
15 the past, and I think that this is a perfect example of  
16 partnership between government and business. And as  
17 co-chairman of the council, I certainly want to thank  
18 you all for what you have done for me and for the department  
19 and for the nation as a whole.

20 We have some new appointees that I want to  
21 introduce to you this morning. and I don't know whether  
22 they are here or not, but I would like for them to stand  
23 when I call their names so you could all see who they  
24 are.

25 They are 13 new members to the council.

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1 Victor Alhadeff. Is Vic here? There he is  
2 over here. Vic, welcome aboard. He is chairman of  
3 ENI Companies in Seattle, Washington.

4 And my old friend Ernie Angelo. I saw him earlier.  
5 Ernie, where are you? Ernie is the only guy that I found  
6 in these conservative trenches in the south when I got  
7 in the trenches and he has been a great help to the  
8 Republican cause across the south and nationally.

9 He is on the National Committee, Executive  
10 Council of the Republican National Committee and a long-  
11 time supporter of the cause.

12 Milton Copulos. Where is Milt? Is he here?  
13 Milt? He is senior energy analyst of the Heritage Foundation,  
14 a great organization that has done a lot to redirect this  
15 nation's future.

16 William C. Douce. Where is Bill Douce? There  
17 he is. Rhymes with house. Chief executive officer of  
18 Phillips Petroleum Company.

19 J.D. Haun, chief executive officer of the National  
20 Wildlife Federation. Jay, where are you?

21 I want Jim Watt to meet him.

22 (Laughter.)

23 SECRETARY EDWARDS: But Jay is a 1967 graduate  
24 of Clemson University. And for those fellows out here  
25 in this audience who don't know where Clemson University

1 is, that is the number one football team in the nation.  
2 I just want to remind you of that. From South Carolina.

3 Mike Halbouty. Mike? Is Mike here?

4 Mike Halbouty. You all know who Mike is, an outstanding  
5 geologist and petroleum engineer.

6 Roy Huffington, president of Roy M. Huffington,  
7 Incorporated, Houston, Texas. Roy, welcome aboard.

8 C. John Miller, partner, Miller Brothers,  
9 Alegan, Michigan. Is that how you pronounce that?

10 MR. MILLER: Yes, sir.

11 SECRETARY EDWARDS: Close enough for Government  
12 work, I guess.

13 Bob Parker, Sr. I don't believe Bob is here.  
14 Chairman of the Board and Chief Executive Officer of  
15 Parker Drilling.

16 Julius M. Ridgeway, self-employed oil and gas  
17 exploration, Jackson, Mississippi. Met him and his pretty  
18 lady last night.

19 Don M. Simmons, President of Simmons Royalty  
20 Company, Muskogee, Oklahoma. There he is. Mr. Simmons,  
21 it is nice to have you to replace your outstanding father  
22 who was here before you.

23 And Charles J. Waidelich, President and Chief  
24 Executive Officer, Waidelich and Cities Services Company.  
25 There he is over there.

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1           Let's give them all a big hand. Welcome aboard.

2           (Applause.)

3           SECRETARY EDWARDS: I have just been told that  
4 we have got the wrong podium. I feel a little uncomfortable  
5 over here on the left.

6           (Laughter.)

7           SECRETARY EDWARDS: It is a real pleasure for  
8 me to introduce to you a man that I have grown to respect  
9 and admire and has taken a lot of heat and is capable  
10 of taking the heat, Secretary of the Interior.

11           He has done more than anybody I know to help  
12 us produce more energy, to open up those areas that need  
13 to be opened up.

14           He has the support of the President, but it  
15 is absolutely not true that he is getting ready to do  
16 some drilling in the White House Rose Garden.

17           But this council used to be under the Department  
18 of Interior, under their jurisdiction, and if I can be  
19 successful in what I want to do in the next few months,  
20 I am going to give you back to the Department of Interior.

21           So, Jim, it is nice to have you here. Jim and  
22 I have become great friends since we started working for  
23 the President. It is a pleasure to work with a man of  
24 great conviction and courage and wisdom, and a man that  
25 has done a lot to turn things around and it is a real

1 pleasure for me to introduce to you my friend and the  
2 friend of America, a friend of Congress and a friend of  
3 conservation, Jim Watt.

4 (Applause.)

5 SECRETARY WATT: Thank you. It is good to be  
6 with friends. I particularly enjoy Jim Edwards. We have  
7 established a unique friendship, a personal friendship,  
8 and I think that Jim has done a remarkable job and we  
9 have created a good partnership.

10 I want to tell you today about some of the  
11 partnership efforts that we have put into existence. And  
12 the report that I have to give you is filled with good  
13 news and bad news.

14 We who serve in political positions learn to  
15 view with pride those things that are going our way and  
16 point with alarm at the disaster of the past administration  
17 shifting to us, and that is indeed the case of what we  
18 have today.

19 Jim made reference to some of the abuse. You  
20 are looking at the bald head and the thick glasses and  
21 the big smile that have launched so many political cartoons.  
22 You get so beaten in these public jobs -- those of you  
23 from the oil and gas industry don't understand that, of  
24 course --

25 (Laughter.)



1 SECRETARY WATT: I thought that everybody kind  
2 of knew who I was. I started in September a tour of the  
3 western states where we control so much of the land. And  
4 I was in Billings, and travelling with me was a cabaret  
5 of press, Bill Shafatoff of the New York Times, in particular,  
6 was one of them.

7 And while I was eating at a banquet prior to  
8 the speech, he was at the bar, and he was talking to  
9 the bartender, and the bartender learned that he was a  
10 reporter for the New York Times. "What are you doing  
11 in Billings, Montana?"

12 Just as the bartender asked that question, my  
13 face came on the T.V. screen up in the corner, and Bill  
14 looked up there and said, well, I am here covering that  
15 guy.

16 And the bartender said, "Menachem Begin is in  
17 Billings, Montana?"

18 (Laughter.)

19 SECRETARY WATT: The good news is that oil  
20 drilling is way up; production is holding steady; consumption  
21 is down and oil imports have dropped to a point even lower  
22 than the six million per day postulated by the federal  
23 planners which was their goal for 1985 in President Carter's  
24 national energy plan.

25 In fact, crude oil imports are averaging about

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1 4.2 million barrels per day.

2 I want to dramatize that. When you allow the  
3 national -- to do your social and economic planning, you  
4 have problems.

5 President Carter's goal was to reduce imports  
6 by 1985 to 6 million barrels a day. Fortunately, change  
7 is in the air. And the President went ahead and deregulated  
8 crude. We have tried to send every signal that we can  
9 to the industry and to the marketplace, the financial  
10 community that market forces will make decisions.

11 And when that happens, results are realized  
12 for the best interest of the American consumer and national  
13 security and the protection of the environment. So today  
14 we see that imports are way down.

15 Now Jim and I have an interesting relationship.  
16 His primary responsibility is to set energy policy, advise  
17 the President and the Congress on energy issues. And  
18 on behalf of the President, Secretary Edwards announced  
19 in effect that this Administration's national energy policy  
20 would be to produce, to produce and to conserve and to  
21 conserve with the powers of the marketplace doing the  
22 work.

23 I want to report to you that that is the only  
24 wise decision and that it is working. Now, we have been  
25 frustrated because America has come to expect that when

1 the federal government announces a plan or a policy, there  
2 must be reems of documents and numbers and all that type  
3 of thing. In fact, the last administration gave the reems  
4 of numbers that are all wrong with experience.

5 And when we come forward and say we believe  
6 in the marketplace and we will produce ourself out of  
7 problems while we conserve, there is skepticism. And  
8 I think that it is important that we look to the fact  
9 and realize that substantial progress has been made even  
10 in these few short months that Reagan has been in power,  
11 and as we see the succeeding seven years of the Reagan  
12 Administration, we will see a lot more progress.

13 (Applause.)

14 SECRETARY WATT: Now we have reduced our imports  
15 significantly. We are still in a precarious position.  
16 If we would lose a million barrels per day of imports,  
17 the Congressional Budget Office says -- and we usually  
18 don't use them for authority, but if you want to put the  
19 scare figures out, you use them -- their CBO says that  
20 we would suffer a \$300 billion drop in gross national  
21 product, skyrocketing unemployment and a 20 percent rise  
22 in the rate of inflation.

23 We must move, then, in a manner that will help  
24 to reduce our dependency upon these imports. And that  
25 is why Secretary Edwards and I have created such a close

1 bond of professional working relationships, as well as  
2 personal relationships, because as Secretary of the Interior  
3 I am responsible for one and a half million acres of land  
4 that might be available for leasing activities in an effort  
5 to meet America's needs.

6 Now, in managing one and a half billion acres  
7 of land on the Continental Shelf and onshore lands, we  
8 expect as set forth in the national energy policy statement  
9 that Secretary Edwards put out, that 85 percent of all  
10 the crude oil yet to be found will come from those lands  
11 managed by the Department of Interior; 40 percent of the  
12 natural gas; 80 percent of the oil shale, most of the  
13 tar sand.

14 So if we are to reduce our dependency, we must  
15 look to the wise, balanced management of these lands  
16 if there is to be hope to improve our national security,  
17 protect our environment and create jobs in America.

18 So I have sought to bring change and, indeed,  
19 dramatic change. And it does not come easily. Nothing  
20 of value comes without a price.

21 So with the election of President Reagan we  
22 introduced change to America. And he had campaigned and  
23 he had outlined the changes that he wanted and they were  
24 endorsed by the American people.

25 And I have gone in an aggressive way to implement

1 the changes that are needed to restore America to her  
2 greatness, and I have met a firestone, firewall of  
3 opposition.

4 But I am pleased to report to this group that  
5 in the arena where there is responsible elective leadership,  
6 we have won every skirmish. With the governors, we have  
7 been endorsed almost unanimously on every issue.

8 I have one exception and that happens to be  
9 a governor from California on one issue, and that deals  
10 with the Outer Continental Shelf drilling in portions  
11 of California, but I want the record to show that while  
12 he opposes my efforts to consider the possibility of drilling  
13 in federal lands far offshore of the coast of California,  
14 I support fully and completely Governor Brown's continuing  
15 efforts to drill close to shore.

16 (Laughter.)

17 SECRETARY WATT: Now, while he is opposing me,  
18 he has been issuing leases to drill, leasing permits to  
19 drill, not leases, permits. That is much closer to the  
20 actual bore hole.

21 He has been issuing drilling permits in the  
22 Santa Barbara Channel. That is significant. And it is  
23 wise. Even though that is where Fred and others have  
24 had some experience in the past, we found that the  
25 Santa Barbara oil spill of 1969 brought no damage to

1 shell fish, fin fish, the environment, the marine environment  
2 or the esthetic values of the shore.

3 So Governor Brown's decision to drill and  
4 produce and to develop black crude oil in the Santa Barbara  
5 Channel is a wise one and I support him fully.

6 (Laughter.)

7 SECRETARY WATT: I also support the unanimous  
8 position of the California delegation in the House of  
9 Representatives, and I support Senator Cranston, the  
10 Democrat minority leader of the United States Senate in  
11 their efforts to reinstate the Pauley leases.

12 Now, we have officially opposed that legislation  
13 that those California democrats are proposing for economic  
14 reasons but we support them for environmental reasons.  
15 There is no reason that we shouldn't drill on those poly  
16 leases, and I am pleased to follow the democrats of the  
17 House of Representatives oppose every activity that I  
18 have made in an effort to open up lands to help consumers  
19 of America, I support their efforts to give back those  
20 leases without any benefit to the federal government,  
21 because we need to meet the consumer demands of America.

22 We have done some aggressive things. We have  
23 developed and submitted to Congress a five year offshore  
24 leasing schedule that has received their approval.

25 This five year leasing program is a most

1 aggressive, ambitious program ever considered for drilling  
2 off the coast of our shores. It has brought tremendous  
3 streamlining.

4 In the past, it took four plus years to consider  
5 the offering of land on the Outer Continental Shelf. We  
6 will do it in two and a half years.

7 In the 30 year history of our off-shore drilling  
8 experiences, the federal government has made available --  
9 the key words are made available -- 40 million acres of  
10 land. Twenty million has been leased.

11 In the next year we will make available for  
12 lease roughly 200 million acres of land so that roughly  
13 one billion acres of land will be made available to the  
14 private sector for leasing in an effort to meet the  
15 consumer demands of America as we seek to improve our  
16 national security, to protect the environment and to create  
17 jobs.

18 We are offering this month one and a half million  
19 acres of land in the State of Alaska, the National  
20 Petroleum Reserve in Alaska. This is the largest on-  
21 shore offering in history and the first lease in that  
22 area. The size of the state of Indiana, I might add.

23 It is the first lease issued in the State of  
24 Alaska by the federal government since 1966. We are bringing  
25 change.

1 We have accepted applications from firms wishing  
2 to do oil and natural gas exploration on more than a 100  
3 million acres south of the Brooks Range in Alaska. This  
4 is the first issuance of those permits since the mid-  
5 1960's, as well.

6 We have opened up more than 6.6 million acres  
7 of acquired military lands on the lower 48 that heretofore  
8 had been foreclosed to oil and gas exploration. We have  
9 opened up 20 million acres of BLM land that have been  
10 withdrawn for a variety of purposes that are now opened  
11 up for oil and gas exploration.

12 We are working with the Department of Agriculture  
13 to evaluate the environmental impact and establish lengthy  
14 procedures for oil and gas resources in wilderness areas.

15 I am going to read this so that the press won't  
16 misquote me on this.

17 We are working with the Department of Agriculture  
18 to evaluate environmental impacts and establish leasing  
19 procedures for oil and gas resources in wilderness areas,  
20 some of which are geologically contiguous to areas where  
21 exciting new discoveries have been made.

22 The 1964 Congress made a compact with the American  
23 people when it provided that these lands remain available  
24 for exploration until 1984 so that vital, natural resources  
25 will not be denied this nation.



1 We intend to fulfill this commitment to  
2 American people while preserving the major thrust of the  
3 Wilderness Act by providing the closest possible  
4 protection of surface values in the 80 million acres of  
5 wilderness.

6 Coal. Coal is to America what oil is to Saudi  
7 Arabia. And yet the federal government from 1971 to the  
8 present has not issued a coal lease. We are now leasing  
9 coal.

10 We have rewritten the regulations which govern  
11 coal leasing, and under those new regulations, we will  
12 at the beginning allow industry and other interests  
13 from the private sector to come in and nominate those  
14 plans that ought to be made available through the leasing  
15 process.

16 The government will identify for now all coal,  
17 not just what the government calls high and medium value  
18 coal, and we will make that available in the marketplace.  
19 We will no longer require costly and lengthy mine plans  
20 within three years of lease issuance.

21 We will see that coal is made available for  
22 the consumers of America. We will comply with the recent  
23 federal district court on the suitability criteria, but  
24 we will move the program.

25 We will no longer try to guess, as our socialist

1 friends have done in foreign nations, about the amount  
2 of coal that the nation needs and then just lease that.  
3 We will let the marketplace make those decisions.

4 Let me note that with regard to all of these  
5 regulatory changes, that the Government Accounting Office,  
6 the investigative arm of the U.S. Congress, has advocated  
7 these changes that I have proposed and am implementing.

8 The Office of Surface Mining has received a  
9 good bit of attention. In fact, it is the most detested  
10 agency of the Department of Interior.

11 We are moving to reduce that group from about  
12 1200 employees to 600. We are moving to change the office  
13 structure from 42 to 21.

14 We are moving to shift the responsibilities  
15 to the state. We are rewriting all of the regulations  
16 to make them comply with Congress.

17 I want to emphasize that while we have had repeated  
18 hearings before the House Committee, particularly, we  
19 have not been denied our changes on any issue, save one.

20 In reorganizing the Office of Surface Mining cutting  
21 back about 50 percent of the employees, reducing the number  
22 of officers from 42 to 21, I was denied the option of  
23 moving about 50 employees from Denver to Casper. The  
24 cultural climate of Casper was not perceived to be as  
25 good as Denver by some of the members of Congress, so

1 that move has been denied.

2 But in every instance, all of our regulations,  
3 all of our reorganization, all of our plans and activities  
4 that -- implementing have the support of every governor  
5 of the 27 states that have coal mining activities. We  
6 are moving to meet the energy needs of America.

7 Not only have all of the governors supported  
8 all of these regulatory changes, the committee has held  
9 repeated hearings on these things and they have not objected.  
10 The National Academy of Sciences endorses what we are  
11 doing all the way because change must be brought about  
12 if we are to restore America's greatness.

13 A lot has been said about the opposition, but  
14 I want to emphasize again that while there has been a  
15 lot of opposition in the press, the governors, the President  
16 and the Congress have supported everything that we are  
17 doing.

18 We have not been denied one policy change that  
19 we have sought to implement to restore America to her  
20 greatness.

21 In the energy leasing we are moving --. I have  
22 ordered expedited processing of geothermal applications.  
23 I have established new offices of the U.S.G.S. to screen  
24 the processing of ADP permits in the exciting -- belt  
25 area of the West.

1 I have taken action to permit the Indian nations  
2 from Indian country to increase leasing activity regarding  
3 both fuel and non-fuel minerals.

4 I have asked for new oil shale legislation to  
5 facilitate the development of resources already leased  
6 and to insure the conservation of the resource by recovering  
7 nearly all of the shale oil.

8 I have advocated the 20-year extension of the  
9 exploration and development mandate of the Wilderness  
10 Act of 1964. I ordered expedited development of the  
11 tar sand leasing program to comply with legislation  
12 signed by the President last month.

13 Let me talk about why we are being successful  
14 in bringing about the change that is so desperately needed  
15 if America is to improve her national security and protect  
16 the environment and create new jobs.

17 It is because we put a management team together  
18 that understands natural resources and understands how  
19 to manage government activities to bring about the energy  
20 that the consumers of America need.

21 As many of you know, I served for two years  
22 as vice-chairman of the Federal Power Commission. I  
23 understand some dimensions of the west and the energy  
24 field. The undersecretary that I brought in, Don Hodel  
25 is a long-time, close, personal confidant of mine who

1 for eight years ran the Bonneville Power Administration  
2 in the northwest and understands the electrical power  
3 field extremely well, both hydro, nuclear, and I must  
4 add coal-fired facilities.

5 The solicitor that we brought into the Department  
6 of Interior is a mature, proven executive for the  
7 Montana Power Company. He has dealt with the oil and  
8 gas and coal issues, as well as the electric power industry.

9 Ken Smith, the new assistant secretary for Indian  
10 Affairs is an entrepreneur from the Indian reservation,  
11 and the first Indian from a reservation to ever be named  
12 to head the Bureau of Indian Affairs.

13 Ray Arnett, the Assistant Secretary of Fish  
14 and Wildlife and Parks is the first person ever named  
15 to that job who is a professional wildlife manager. But  
16 in addition to being a professional wildlife manager,  
17 for 20 years he served as a geologist for one of our major  
18 oil companies.

19 Dan Miller, the Assistant Secretary for Energy  
20 and Minerals, is a Ph.D. geologist from the private sector  
21 with academic and government experience. After 12 years  
22 he was the chief geologist for the State of Wyoming.

23 Dick Harris, the Director of the Office of Surface  
24 Mining is a geologist, an oil man and a former small coal  
25 operator.

1 Bob Horton, the new head of the Bureau of Mines  
2 is a geologist and former small coal operator.

3 Bob Burford is the Director of the Bureau of  
4 Land Management, who is responsible for managing 500 million  
5 acres, is a mining engineer from the Colorado School of  
6 Mining and a rancher.

7 Can you believe that we are now at a stage in  
8 history where you can put somebody in charge of 500 million  
9 acres of land that is a rancher and a graduate of a school  
10 of mines, who understands the resource.

11 Friends, it is a new day. Bob Burford, in managing  
12 the Bureau of Land Management, has done another new thing.  
13 Here is the group that is responsible for leasing the  
14 billion acres, 500 million acres of land that has never  
15 before given proper attention. And so for the first time  
16 we have created a deputy director of energy and minerals,  
17 and to that job we named Sandy Blackstone, who is a lawyer  
18 and a Ph.D., a minerals economist.

19 We have determined to bring change. We have  
20 brought change that has been supported by the government.  
21 Secretary Edwards, I am pleased to report to you and the  
22 National Petroleum Council that I am doing as you have  
23 asked me to do, we have brought the change that will lay  
24 the groundwork to meet your policy directives, to produce,  
25 to produce and to produce, and the marketplace will

1 help the consumer to conserve, and to conserve, and to  
2 conserve.

3 I am pleased and proud to give you what I consider  
4 to be probably the most optimistic report that the National  
5 Petroleum Counsel has ever received from the Department  
6 of Interior.

7 Thank you very much.

8 (Applause.)

9 (Continued on next page.)  
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1 CHAIRMAN BOOKOUT: The Secretary has consented  
2 to take questions from members at this time. Is there  
3 any questions?

4 QUESTION: We here talk of an import fee, an  
5 excise tax on imports. I was curious what effect --  
6 (inaudible)

7 SECRETARY WATT: Jim, you are going to be speaking  
8 to the group, aren't you?

9 SECRETARY EDWARDS: yes.

10 SECRETARY WATT: I think that I will duck that  
11 question and shift it to Secretary Edwards. I am the  
12 producer. He is the policy guy.

13 How is that, Jim? I did all right.

14 SECRETARY EDWARDS: You are getting more political  
15 every day.

16 QUESTION: Mr. Chairman, I wonder if I might  
17 be permitted a comment and then a question.

18 The comment is this. I am certainly speaking  
19 for myself, but I think I am speaking for a lot of others,  
20 too, Mr. Secretary, in expressing our appreciation to  
21 you and your associates and to the other members of the  
22 administration and the President for the remarkable progress  
23 that you have made in bringing about some very, very sorely  
24 needed changes, and I hope that you realize that in this  
25 effort you have the strong, enthusiastic support of the



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1 entire industry.

2 SECRETARY WATT: Thank you very much.

3 QUESTION: The question is this. I wonder if  
4 you are in a position to say anything now about your  
5 longer range plans for the making available and the ultimate  
6 leasing of the far off-shore areas which are going to  
7 require somewhat different rules, perhaps, than have been  
8 effective in the nearer off-shore.

9 SECRETARY WATT: When you live in a position  
10 like I have been living for the last ten months, long-  
11 term is kind of the weekend.

12 (Laughter.)

13 SECRETARY WATT: No. We really have not focused  
14 hard on it. The immediate problems have been so overwhelming,  
15 the mis-management has been so great. You folks have  
16 no comprehension of the total magnitude of the mess I  
17 have at the Department of Interior.

18 Some of you have glimpses of it, but let me  
19 tell you it has been -- the first six, seven months, I  
20 never left this town, seven days a week we were down there  
21 trying to make some management sense out of the Department  
22 of the Interior.

23 We implemented a management by objective program  
24 that has been extremely effective, and we have made these  
25 changes, but we really haven't done a lot of far out,

cs3

1 time-wise planning for that type thing.

2 To just re-do the coal leasing program, to just  
3 do the OCS leasing program -- in fact, most of you in  
4 this room, I think, in the private council would confess  
5 that you were not psychologically or emotionally prepared  
6 for the dramatic change that I brought to the OCS leasing  
7 program. It took you a while to get back with me on that.  
8 You are not used to seeing government move and we are  
9 determined to move.

10 So I have not looked that far.

11 I might create my own question, John, if I might.  
12 There has been repeated, repeated and repeated comments  
13 in the press that the industry is not willing, nor capable  
14 nor desiring to have the government, the Department of  
15 the Interior, pursue the aggressive OCS program that I  
16 have outlined by making available such huge acreage for  
17 possible lease.

18 That has been continued in the press to be repeated.  
19 Many of you, as I look around this room, have felt compelled  
20 to make personal pilgrimages to me to assure me that that  
21 is not your position.

22 The trade associations, ITAA and the API have  
23 made resolutions saying that you fully support my program.  
24 But if there are there -- those of you here in the room  
25 who would like to give me counsel suggesting that we are

cs4

1 going in an aggressive manner that is too large for  
2 the private sector to handle the leasing -- if there is  
3 anybody here who thinks that we are being too aggressive  
4 in relying on the private sector to meet the energy needs  
5 of America, I would like you to do that right now.

6 (Laughter.)

7 SECRETARY WATT: Since no one, John, has spoken,  
8 I assume that I have the right to believe that we have  
9 full and enthusiastic support for our aggressive program  
10 for letting the industry compete for large areas that  
11 hopefully will meet consumer needs.

12 CHAIRMAN BOOKOUT: I am certain that the membership  
13 endorses that.

14 (Applause.)

15 CHAIRMAN BOOKOUT: There seems to be one other  
16 question, Mr. Secretary.

17 QUESTION: Mr. Secretary, now that the Supreme  
18 Court has indicated that you have a lot of authority to  
19 issue leases under the terms and conditions that you  
20 prescribe. What is your reaction and thinking of the  
21 future?

22 SECRETARY WATT: I am not as smooth as Jim Edwards  
23 on these political things, so I guess I should say what  
24 I believe.

25 (Laughter.)

cs5

1

SECRETARY WATT: The court decision hasn't changed

2

our mind; attitude or intentions one bit. It simply ratified

3

what we were doing anyway and said we were right.

4

We kind of stick our neck out and move and expect

5

the courts to ratify that which is right, as they will

6

in the California case that Governor Brown -- we will

7

win that law suit, as well. So we are not slowing down

8

or deterring anything.

9

When Congress has spoken with clarity, it is

10

understandable we move with it, and we expect the courts

11

to do what is right, and so far they have.

12

CHAIRMAN BOOKOUT: Thank you, Mr. Secretary.

13

(Applause.)

14

CHAIRMAN BOOKOUT: On behalf of the council

15

membership, I want to express our appreciation for your

16

being here today and participating in our meeting and

17

we hope that you will stay for the entire proceedings,

18

if that is possible and your schedule permits.

19

I can assure you that you have the full support

20

of the industry, and that we are, indeed, fortunate to

21

have someone such as yourself in a leadership position

22

that is moving the nation in the direction that is certainly

23

good for the nation and you deserve the support, not only

24

of the industry, but the entire nation.

25

Secretary Edwards would like to, at this time,

cs6

1 address the membership.

2 Secretary Edwards, I want to assure you that  
3 despite previous comments, that we will believe every  
4 word that you say.

5 SECRETARY EDWARDS: Thank you very much.

6 I would like to answer that question back there  
7 that my good friend side-stepped there. We have not made  
8 studies relative to what an import tax would do to the  
9 importation of goods because we don't plan to put any  
10 import tax on crude.

11 It was a presidential candidate that has become  
12 very obscure now, and I can hardly think of his name,  
13 that had a recommendation that you increase the burden  
14 on the consuming working men and women of America, of  
15 putting a 50 cent per gallon tax on gasoline.

16 I certainly think that we should learn some  
17 lessons from the success that he had in that presidential  
18 campaign and not make the same mistakes. So we haven't  
19 made any studies and I will dedicate myself to fighting  
20 any increase in import taxes personally.

21 I am not speaking for the administration, but  
22 that is my personal position. And I will do everything  
23 I can to convince the administration that that should  
24 be their position. But we don't plan to.

25 (Applause.)

cs 7

1 SECRETARY EDWARDS: I want to thank your  
2 organization, again, the National Petroleum Council, because,  
3 as I said before, I think that it is an ideal relationship  
4 between government and industry. It shows that we can  
5 work as a partnership.

6 It costs the taxpayers absolutely nothing and  
7 the industry accepts all the financial obligation for  
8 this organization and the activities that they do, and  
9 I just want to thank you and commend you for it, and it  
10 is the type thing that we need more of in American Government.  
11 This is the way that it used to be done. That is the  
12 way we should return to as best we can.

13 I hope that we can utilize your organization  
14 more in the future. I am sort of like Jim Watt. We have  
15 had some pretty full days here since we have come to town  
16 and we really haven't been able to focus on some of those  
17 creative things that we would like to focus on.

18 You are putting out fires all the time and trying  
19 to react, and we really -- that is the only complaint  
20 I have about this job, you never have too much time to  
21 sit down and try to do some creative thinking and try  
22 to look into the future and try to develop things in the  
23 future, but I hope that we can do more of that as time  
24 goes by.

25 We are in the process of renewing of your charter

cs8

1 now, I am happy to say.

2 We are very pleased, by the way, with that  
3 Arctic Study, and I must confess I did not read it last  
4 night when I went home.

5 I think that most of you have seen the study,  
6 and I looked at it and laid it down by the bedside table  
7 and immediately went to sleep. But I do plan to read  
8 it and I have seen an executive summary of it, and everybody  
9 who has studied it is very pleased, particularly with  
10 the new technologies that you have developed, the  
11 assessment techniques used could very well be applied  
12 in other frontiers, I understand.

13 I think it is the most creditable study yet  
14 on the Arctic resources. I understand the reserves have  
15 been estimated to be about 24 billion barrels of oil,  
16 and 109 trillion cubic feet of natural gas.

17 It is a real bonanza that is going to test our  
18 technology to its limits and going to move us one step  
19 further ahead of other countries in drilling technologies.  
20 We want to undertake some new projects and we would like  
21 to ask your support.

22 We would like for you to update our 1976  
23 enhanced oil recovery study. The economics have changed  
24 since that study was made, and I think that it is time  
25 to update that study in relationship to the present day

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cs9

1 economics.

2 I would also like to ask you to help with a  
3 study of the private sector incentives needed to spread  
4 development of hydrocarbon reserves in developing countries.  
5 As I will say later on in this little prepared statement  
6 that I have that about 50 percent of the known reserves,  
7 undiscovered reserves are in the developing nations and  
8 only about 5 percent of all the drilling that has ever  
9 taken place has taken place in those areas.

10 And if along with this study possibly you could  
11 do an assessment of where the political and economic  
12 environment is such that it may induce the private sector  
13 to move into some of these countries at the same time  
14 that you are doing the study as what the incentives are  
15 necessary to bring the private sector into these countries.

16 But I think that there is a great potential  
17 there. But it is -- getting back to my prepared remarks --  
18 it is a pleasure to be with you again.

19 The last time that I was here we talked about  
20 the efforts we were making to get the government out of  
21 the business of regulating energy.

22 We continue to make real progress and Jim Watt  
23 just told you about the efforts to use our national lands  
24 more wisely for the good of this country.

25 I want to talk to you about the opportunities



cs10 1 we have before us to enhance our security and to put an  
2 end to the confrontational politics that we have had to  
3 wrestle with internationally since the oil crisis in 1973.

4 It is time to put the siege mentality behind  
5 us. For a decade we have allowed the fear of new oil  
6 crises to mold our behavior.

7 It recent years it reached a point where some  
8 people even began counting on oil crises to spread  
9 conservation and I suspect to justify more government  
10 intervention in the marketplace.

11 We need to be the masters of our fate. We can,  
12 in effect, encourage other people to rule our lives by  
13 periodically threatening us. Those who assume that we  
14 have to be repeatedly shocked into acting reveal a basic  
15 distrust in the wisdom of the American people to act  
16 rationally and in their own self-interest.

17 The President believes that the American people  
18 can be trusted. We don't have to scare them. We only  
19 have to convince them that the present use of our resources  
20 is in everyone's self interest.

21 When it comes to conservation, the evidence  
22 is on display everywhere that conservation has become  
23 a habit for most people. The price of energy has taught  
24 people to conserve.

25 The number of new products on the market, the

cs 11

1 huge advertising campaigns waged by insulating companies,  
2 automobile salesmen, storm window makers and so forth  
3 constantly remind people about the need to conserve.

4 We are pleased -- we have passed the time,  
5 if we ever needed it, where the government needed to  
6 coerce people to conserve.

7 Historians will probably look back on the last  
8 decade as one of the strangest in our history. The most  
9 powerful nation on earth allowing itself to be manipulated  
10 by some foreign powers.

11 The government whipped up a crisis atmosphere  
12 for its own purposes, missing a whole host of chances  
13 to allow the marketplace to straighten things out.

14 It would have been a tough decade no matter  
15 who was in the White House. But we made it a lot harder  
16 for ourselves than we really needed to.

17 To some extent we made the Saudi Arabians and  
18 other moderate members of OPEC look like radicals. For  
19 the oil producers as well as for ourselves, the stability  
20 of the dollar, the predictability of the financial market,  
21 and far less inflation are the most important goals.

22 President Reagan realizes that, as do the heads  
23 of many of the producing nations. I wish that some of  
24 you could participate in the conversation around the  
25 cabinet table.

cs12

1 We work all day sometimes to cut two or three  
2 billion dollars out of the deficits, impending deficits,  
3 and we go home, go to bed at night, overnight interest  
4 rates would go up one percent. We come back the next  
5 morning, we are 3.5 billion dollars in debt, further down  
6 in deficit because the liberal philosophy in Washington,  
7 as Jim Watt often says, has left a great monument here,  
8 and that is this trillion dollar debt.

9 Do you know that if we took all the farms in  
10 America, all the farmland, all the tractors, all the  
11 farm machinery, all the silos, we would not come to but  
12 one trillion dollars. That is how much we owe. It is  
13 the third largest item on our budget.

14 I am sure that you all understand the difference  
15 between the -- the relationship between inflation and  
16 high interest rates. Inflation is caused by deficit spending.  
17 In my opinion, government pouring out dollars making  
18 it more worthless, creates higher interest rates. We  
19 can't get America back to work again.

20 Everytime that unemployment rate goes up one  
21 percent, we are \$23.5 billion further in deficit. It  
22 is a difficult job.

23 So as you talk about these impending deficits,  
24 and the economic situation, I want you to realize, you  
25 think you have got problems, you ought to come around

cs13

1 that cabinet table and try to balance that budget.

2 But you can't tell me that the steps that this  
3 country is taking today, that this administration is taking,  
4 when we cut \$35.8 billion off the '82 budget, when we  
5 give 750 billion dollars back to the working men and women  
6 of America in the next five to seven years, where we  
7 continue to cut the cost of government, as we are going  
8 to do in '83, when we do those things, you can't tell  
9 me that this economy isn't going to turn around and head  
10 in the right direction.

11 It may take awhile, but if the American people  
12 don't get too restless -- it took us 40 years to get in  
13 this mess. It is going to take us at least 40 months  
14 to get out of it.

15 We are headed in the right direction. I think  
16 that things are looking up.

17 (Applause.)

18 SECRETARY EDWARDS: The oil producers face the  
19 same dilemma when they try to invest funds. They lose  
20 billions of dollars overnight when the dollar declines.

21 Clearly, many of the oil producers, even some  
22 of those that preach a radical line realize that we have  
23 to replace the crisis mentality and the economic  
24 catastrophe that it spawned with a new partnership.

25 We have the chance to do that now. We can't

csl4

1 afford to miss that opportunity. We have to work with  
2 our allies and with the oil producers toward long-term  
3 strategies that don't include unexpected shocks.

4 We have to be assured of predictable levels  
5 of production, and we have to assure the producers of  
6 predictable levels of consumption.

7 The administration doesn't believe we can  
8 draw up a blueprint, complete with details, statistical  
9 prognostications about energy demands, but we can assure  
10 our suppliers and our own citizens that demand for imported  
11 oil will continue to decline in the years ahead.

12 Imports will never in the foreseeable future  
13 reach a 8.7 million barrel a day level that we had in  
14 the past. Last month our imports slipped below our  
15 4 million barrels a day mark.

16 Oil is not in a plentiful supply. We don't  
17 have a glut right now, as the media is fond of labelling  
18 it. I call it a temporary supply sufficiency.

19 If we carefully manage oil by letting prices  
20 control demand and if we get on with developing our  
21 own domestic resources, building synthetic fuel plants,  
22 and taking advantage of renewable energy resources, we  
23 can avoid crises. I am very confident of that.

24 Today we are 84 percent self-sufficient. There  
25 is no reason we can, as Bob Anderson, the Chairman of

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csl5

1 ARCO says, reach 90 percent for 1990. Ninety by ninety  
2 is a good catchy goal for us.

3 For our allies in Western Europe and in Asia  
4 and for the developing countries, such a goal is an  
5 impossible dream. I think that we are going to make it  
6 before '90, by the way.

7 That is why we need not only work toward our  
8 own energy security, but to cooperate with other countries  
9 to reduce worldwide vulnerability.

10 We will approach energy self-sufficiency, and  
11 we should, but we won't be militarily and politically  
12 secure until other nations have learned to manage their  
13 energy problems also.

14 We remain strong supporters of the International  
15 Energy Agency. We want to share technologies with our  
16 friends.

17 We want to do everything in our power to convince  
18 the developing nations that it is in their best interest  
19 to provide an economic climate conducive to foreign  
20 investment.

21 Private companies are just not going to help  
22 those nations develop the resources if the risks are too  
23 high. It is not often realized that nearly 90 percent  
24 of the wells drilled worldwide have been drilled in  
25 North America.

csl6

1 Only five percent of them, as I mentioned earlier,  
2 have been drilled in these areas where the geologists  
3 think that half of the remaining oil reserves are probably  
4 located in the underdeveloped countries.

5 Stabilizing the world economy will make it easier  
6 for the underdeveloping countries to buy oil, but that  
7 isn't the solution. The solution is for the domestic  
8 potential in those countries to be realized and developed.

9 Just before the Cancun Summit the President  
10 said we are committed to a pragmatic search for solutions  
11 to produce lasting results.

12 Let us put an end to the divisive rhetoric of  
13 us versus them, north versus south. Instead, let us decide  
14 that all of us, both developed and developing countries,  
15 can accomplish together. What we are talking about today  
16 as partnership, the partnership between our government  
17 and the people means we have to put more trust in the  
18 people's innate wisdom.

19 We are conserving energy because it is in our  
20 interest to do so. We are not about to go off on a wild  
21 energy wasting binge. Nobody wants to do that. We need  
22 a new partnership between the producers and consumers  
23 of energy.

24 We need to encourage an evolution of an OPEC  
25 that is committed to stability not crisis.

cs17

1 We need a renewed partnership with other countries  
2 to share energy-saving technologies, and not least important,  
3 we need to build a partnership with the developing nations  
4 in the spirit of the Cancun Summit.

5 We want to help those countries develop their  
6 resources, but they have to decide that they want to help  
7 themselves first by creating the economic and political  
8 stability that attracts investment.

9 President Reagan is committed to turn this country  
10 around. It took a long time to get into this mess. It  
11 will take some time to get us out of it.

12 He is, unlike any other president we have had  
13 in recent years, this fellow keeps his promises. Jim  
14 Watt and I are re-inspired every time we meet with him.  
15 He knows what he wants to do. He knows how to get there.  
16 And he counts on you to help him revitalize this nation.

17 We all have to make sacrifices. We are cutting  
18 the federal bureaucracy down to size. That means that  
19 industry has to assume more of the burden.

20 I would like to see the National Petroleum Council  
21 take on more responsibility for advising us on how to  
22 conserve more and to produce more.

23 It is a great example of the kind of partnership  
24 that we need all across America at every level.

25 I want to thank you again for letting me be



csl8 1 with you, and I have enjoyed my association.

2 Now that we have gotten things under control  
3 over thee at the building we work in, we hope to be able  
4 to do more creative work with you in the future.

5 Thank you very much.

6 (Applause.)

end tp 2 7 (Continued on next page.)

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1 CHAIRMAN BOOKOUT: Thank you very much, Mr.  
2 Secretary. And he has likewise consented to accept questions.  
3 Are there any questions at this time?

4 VOICE: Mr. Secretary, I would like to commend  
5 you on the position that the Administration has taken that  
6 you have enunciated this morning on this question of  
7 overseas drilling, exploring and so on, because I think  
8 there is being a tremendous force at work and I won't  
9 mention the institutions or headquartere here in Washington,  
10 putting out information to the contrary that the industry  
11 is not willing to do this job overseas. I think you put  
12 it so succinctly in saying that proving the economic climate,  
13 we will go anywhere, anytime, except for nothing.

14 I was in the presence of the past leader of the  
15 World Bank, made the comment that -- gave some examples of  
16 countries where we have refused to go. He happened to  
17 mentioned the name of Kenya. This happens to be the fact  
18 that ourselves, in concert with Cities Service and Marathon,  
19 have a well at 12,000 feet not, going for the productive,  
20 and hopefully, keep our fingers crossed, and are doing the  
21 job.

22 And I think it puts to rest the statements and  
23 I think this is an area that I think this leadership that  
24 we have suddenly gotten out of the White House in this area.  
25 It's really a great breath of fresh air and I hope he

1 keeps the pressure on. Let the truth come forth and private  
2 initiative can get that job done overseas.

3 SECRETARY EDWARDS: I think that study that you  
4 all may, when I say "you all" that means plural of "you".

5 (Laughter)

6 SECRETARY EDWARDS: But, anyway, this study that  
7 you may be able to carry out for us in relationship to that  
8 particular area of endeavor, I think would be a fascinating  
9 study to do. And I think when these underdeveloped  
10 countries saw that we were interested and were doing a study  
11 such as this it may stimulate them to look at themselves  
12 in a broader view and say "What have we done wrong not to  
13 get them in" and they may be able to change their way of  
14 doing business and it may change the whole world climate.  
15 And if we can get, you know, when you are striking oil and  
16 gas in Bangladesh, there is hope, and that's just a prime  
17 example of where you can find hydrocarbons. And I -- the  
18 more I think about this project, I get very excited about  
19 it and that's the one thing I think that I would like for  
20 this organization to address themselves to.

21 I am getting off very lightly. And thank you  
22 all for letting me come and share this with you.

23 (Applause)

24 CHAIRMAN BOOKOUT: Thank you, Mr. Secretary.

25 SECRETARY EDWARDS: May I leave?

1 CHAIRMAN BOOKOUT: We would be delighted to have  
2 you stay but we understand if you have other duties that  
3 take you away. And we want to reassure you that you have  
4 the full members' support on the request that you have made  
5 and our agenda committee will take a look at that. We will  
6 execute to the fullest capabilities of the council and meet  
7 your wishes on that.

8 SECRETARY EDWARDS: Thank you, I have got to go  
9 make my --

10 (Applause)

11 CHAIRMAN BOOKOUT: You will recall at the meeting  
12 last April the council received progress reports from two  
13 study committees: the Committee on Arctic Oil and Gas  
14 Resources and the Committee on Environmental Conservation.  
15 We will consider final reports of those two committees today.

16 Our first report is from the Committee on Arctic  
17 Oil and Gas Resources. The committee's draft report was  
18 circulated to the membership in November and I would now  
19 like to call on Bob Anderson to present a summary of his  
20 committee's report. Mr. Anderson.

21 MR. ANDERSON: Secretary Mares, Mr. Chairman,  
22 distinguished guests, ladies, gentlemen. The Committee  
23 on Arctic Oil and Gas Resources began its study a little  
24 over a year ago. We have now completed our report entitled  
25 "U.S. Arctic Oil and Gas."

1           This morning I plan to describe the study briefly  
2 and recommend that the National Petroleum Council adopt  
3 the report for transmittal to the Secretary of Energy.  
4 By letter dated April 9th, 1980, the Secretary of Energy  
5 requested the National Petroleum Council to undertake a  
6 comprehensive study of Arctic area oil and gas development,  
7 to include discussions of resource assessment, information,  
8 exploration, production, transportation technology,  
9 economics, environmental, community and regulatory considera-  
10 tions, and jurisdictional issues.

11           For purposes of this study, the Arctic area was  
12 defined as territory under U.S. jurisdiction north of the  
13 Aleutians off shore and north of the Brook Range on shore.  
14 To assist the council in responding to the Secretary's  
15 request, the committee, a coordinating subcommittee and  
16 seven task force were established. The task groups are:  
17 jurisdictional issues, resource assessment, exploration,  
18 production, transportation, economics and environmental  
19 protection.

20           The membership of these groups includes  
21 representatives of both major and independent petroleum  
22 related companies, federal, state and local governments,  
23 and consultants in academic, environmental, labor and  
24 Alaskan native organizations participated as well.

25           The detailed study work began late last year and

1 the study's progress was reported to you at the council  
2 meeting last December and again in April. By summer,  
3 the task groups had developed reports of their studies,  
4 which were submitted to the coordinating subcommittee.

5 The subcommittee in turn drafted a comprehensive  
6 report for the committee's consideration. The committee  
7 met November 10th in Chicago and approved a proposed final  
8 report which was mailed on November 16th to all members  
9 of the council for your review and consideration.

10 In adopting the report the committee suggested  
11 the inclusion of a transmittal letter to the Secretary of  
12 Energy to be bound in the final report. The purpose of  
13 that letter, a draft of which is inside the cover of the  
14 proposed report, is to provide an overview of the study.

15 I am pleased to report the committee has reached  
16 the broad conclusion that oil and gas production from  
17 currently undeveloped areas in the U.S. Arctic could make  
18 a significant contribution to the nation's overall energy  
19 supply.

20 As an industry, we look forward with great optimism  
21 to the challenge of developing these resources. The benefits  
22 of which will play a key role in shaping the nation's  
23 future.

24 This positive judgement by the committee is based  
25 on the expertise of the study participants and the analysis

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1 set forth in this report. The most important section of  
2 the report is the section on findings and recommendations  
3 on Pages 7 through 15 of the executive summary.

4 I would like to comment briefly on each of these  
5 items.

6 The first finding relates to the estimates of  
7 undiscovered oil and gas resources which were developed  
8 through an anonymous survey procedures established by the  
9 resource assessment task group. The response indicates  
10 that the potentially recoverable risk mean undiscovered  
11 oil and gas resources in the U.S. Arctic amounts to  
12 44 billion barrels of oil equivalent resource.

13 This is composed of 24 billion barrels of crude  
14 oil and 109 trillion cubic feet of gas. This compares the  
15 10 million barrels of oil and the 35 trillion cubic feet  
16 that have already been discovered in the area.

17 Further, they suggest a 1 percent probability  
18 that the oil equivalent could exceed 100 billion barrels.

19 These estimates are based on extremely limited  
20 information developed mainly from existing geophysical  
21 surveys. They could be significantly revised once substantial  
22 exploration drilling has been carried out.

23 Because of the limited amount of data, exploration  
24 any of these sedimentary basins cannot be ruled out.

25 The next finding addresses the state of technology

1 for exploration, production and transportation. We have  
2 concluded that proven technology exists for on-shore  
3 operations and we also believe we can proceed with confidence  
4 using advanced design work in all of the northern Bering  
5 Sea, most of the southern Bering Sea and well out into the  
6 ice-covered areas of the Chuk Chi and Beaufort Seas.

7 Although considerable development will be required  
8 to optimize the technology, we believe the industry can  
9 proceed safely in all of these areas. We must, however,  
10 stress the significant time constraints inherent in Arctic  
11 operations. Because of the harsh climate and remote  
12 location, nine or more years from leasing to start of  
13 production are generally required even under the best of  
14 conditions.

15 Economic analysis has been developed for both  
16 oil and non-associated gas and are summarized in the next  
17 finding. Because of the limited amount of information  
18 available and the necessity to make broad simplifying  
19 assumptions, these analyses should only be considered as  
20 measures of directional trends and should not be interpreted  
21 as being forecast will develop as discoveries are made.

22 The economic analysis indicate that large discovered  
23 resources are required to economically develop Arctic oil  
24 and gas, because of the high cost of oil field development  
25 and associated transportation problems.



1           As you can see under our assumption, it appears  
2           that from 18 to 21 billion barrels of undiscovered oil and  
3           10 trillion cubic feet of undiscovered non-associated gas  
4           or a total of 18 to 22 billions of oil and gas equivalent  
5           will be economically recoverable. The study made no attempt  
6           to evaluate the more complex, or probably more attractive  
7           case of associated gas.

8           Further, we did not consider that capacity would  
9           be available for undiscovered oil or gas within either the  
10          existing taps or the proposed angst lines. If space were  
11          available in these two lines, this would significantly  
12          modify and approve the economics.

13          Responses to an optional portion of the study's  
14          resource assessment survey suggest that 14 billion barrels  
15          of oil, 34 trillion cubic feet of non-associated gas, and  
16          20 trillion cubic feet of associated gas, or a total of  
17          24 billion barrels of oil and oil equivalent gas would be  
18          economically recoverable.

19          This total is remarkably similar to that obtained  
20          by the report's detailed analysis, although it does take  
21          a more optimistic view of gas economics. Both estimates  
22          indicate that about one-half of the potentially recoverable  
23          resources will be economically recoverable.

24          Here are a few other highlights. We note that  
25          several prospective basins extend across international

1 boundaries.

2 Secondly, we have concluded that ice-breaking  
3 tanker operations in the Bering Sea are practical. However,  
4 year around reliability of the tanker traffic north of the  
5 Bering Strait is still questionable.

6 We recognize the oil industry operations have  
7 brought many benefits to the state of Alaska, and they will  
8 continue to do so. The industry, however, must be responsive  
9 to native interest. Careful planning and good communication  
10 with native groups are essential to assure continued benefits.

11 We believe that impacts on the sensitive Arctic  
12 environment can be minimized, or avoided, with responsive  
13 development.

14 The industry has demonstrated its ability to  
15 design and operate the facilities that can readily coexist  
16 with other activities which depend upon biological resources.

17 We note that the complicated regulatory system  
18 created to control the oil and gas industry has both delayed  
19 and added significantly to the cost of development. It  
20 needs to be redesigned and stream-lined.

21 Based on these findings we have presented, starting  
22 on Page 12 of the report, a series of recommendations that  
23 would help realize the oil and gas potential of the Arctic.  
24 These are all related to implementation of an Arctic energy  
25 policy by the federal government. It is encouraging to

1 note the Administration's efforts to institute broad  
2 regulation reforms have already initiated changes in some  
3 of the direction we suggest.

4 As to leasing federal lands, both on-shore and  
5 off-shore, we recommend the establishment of an accelerated  
6 leasing schedule that is both stable and comprehensive.  
7 And Secretary Watt addressed himself to that today. We  
8 propose that leasing procedures be responsive to the unique  
9 Arctic conditions. They should provide for large acreage,  
10 extended terms and suspension of production until discoveries  
11 are sufficient to allow economic development.

12 Through these means, industry will be able to  
13 better define the oil and gas potential of the U.S. Arctic  
14 through exploratory drilling.

15 We also recommend that permitting procedures which  
16 are impeding development be streamlined and simplified.  
17 That the responsibilities of existing agencies for expediting  
18 permits be better defined. We believe such measures are  
19 the most effective way to accelerate development and improve  
20 efficiency.

21 In Chapter 9 of the proposed final report several  
22 specific areas are identified where statutory and regulatory  
23 revisions would help to achieve this goal. There are many  
24 government agencies charged with conducting operations to  
25 support exploration, production and transportation. We

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1 recommend that they be fully prepared and staffed to meet  
2 these responsibilities.

3       Regarding research and development, we recommend  
4 encouragement and support, but seek no government interven-  
5 tion in industry development programs. Rather, we suggest  
6 that governmental research focus on collection and interpreta-  
7 tion of fundamental data covering broad issues and that  
8 such data be disseminated in a timely manner.

9       We also recommend that assistance be provided  
10 by the federal and state governments to local communities  
11 and governments in planning for the necessary community  
12 development that must accompany oil and gas activities.

13       Finally, we recommend that the substantial,  
14 direct income to the government from oil and gas industry  
15 activity should be recognized and considered as a source  
16 of funds to implement these recommendations.

17       As you go through the report, you will find that  
18 all of the findings and recommendations are fully supported  
19 in the chapters and appendices. Even more detail can be  
20 found in the task group reports which are very thick,  
21 voluminous and comprehensive.

22       Because of the likely public interest, the  
23 committee recommends that the council approve the reproduc-  
24 tion of the task group reports to make them available as  
25 working papers of the overall report. These valuable

1 documents are listed and abstracted in Appendix G.

2 A comprehensive report like this could not be  
3 accomplished without the time and professional skills of  
4 many people and organizations. The committee, and certainly  
5 I would like to acknowledge the outstanding dedication and  
6 work of the members of the coordinating subcommittee and  
7 the task groups. I think there was something like 500 or  
8 600 people directly and indirectly involved in the preparation  
9 of this report. There was many, many years of Arctic work,  
10 direct Arctic work involved and the subcommittee has performed  
11 an heroic job.

12 As all chairman of committees know, my role was  
13 principally wielding and gavel. We were privileged to have  
14 Jon Mares serve as committee's government co-chairman and  
15 I wish to thank Jon and the Secretary for the assistance  
16 we received from the Department of Energy staff.

17 In conclusion, I would like to note that this  
18 study has provided us all with an important opportunity  
19 to reflect upon our knowledge of Arctic oil and gas develop-  
20 ment. The petroleum industry's consensus, optimism on the  
21 magnitude of Arctic oil and gas resources had been  
22 documented as I noted earlier. Our feeling is that at least  
23 half of the technically recoverable resource will be  
24 economically recoverable. Much more may, in fact, be  
25 recovered over time as we learn to handle better the

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1 extreme environmental conditions present in the Arctic.

2 I am personally confident that, for example, when a transpor-  
3 tation system is available to move Arctic natural gas to  
4 the lower 48 markets a large portion of the gas shown to  
5 be uneconomic in the record will become economic and a most  
6 important national asset will be developed.

7 Mr. Chairman, the committee believes that the  
8 proposed report is excellent, is a suitable response to  
9 the Secretary's request. The committee recommends that  
10 the report, along with it's transmittal letter, and the  
11 reproduction of the working papers be approved by the  
12 National Petroleum Council, subject to final editing. And  
13 I so move.

14 Thank you.

15 CHAIRMAN BOOKOUT: Thank you, Bob. Thank you  
16 very much for that very fine report. And I, too, would  
17 like to express my appreciation to you, to your committee,  
18 to your task force, and all those that have worked so  
19 diligently and so long and hard on this report.

20 If I might be permitted a personal observation  
21 on this report, I think it constitutes a milestone effort  
22 because I don't believe I have seen a report that bring  
23 so many disciplines to bear. You know, we have attacked  
24 the problem from not only from a resource base, but  
25 environmental as well as some of the future problems

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1 that must be solved to successfully explore and develop  
2 this area. I think, indeed, it is a real contribution.

3 You have heard the summary. You have heard Mr.  
4 Anderson make the motion that we adopt the report. I will  
5 throw the floor open at this time for discussion, question  
6 or other comments. Anyone care to comment on the report?  
7 Any questions?

8 MR. ANDERSON: Thank you.

9 CHAIRMAN BOOKOUT: Okay, if there is no discussion,  
10 I would like for you to signify your support by indicating  
11 aye.

12 (Chorus of ayes.)

13 CHAIRMAN BOOKOUT: I don't think there is any  
14 reason to call for nay. I think the report is carried quite  
15 handedly.

16 The other draft report before the council today  
17 is from the Committee on Environmental Conservation and it  
18 also was circulated to the membership in November. But  
19 this time I have an opportunity to introduce Al Whitehead,  
20 which I missed earlier, who will summarize his committee's  
21 work.

22 All, would you please.

23 MR. WHITEHOUSE: You have before you a draft  
24 report of the Committee on Environmental Conservation which,  
25 as John said, was circulated to the membership on November

1 9, 1981.

2 I would like to very briefly describe the  
3 committee's findings and conclusions before we turn to a  
4 discussion and vote.

5 As a result of an April 1980 request from the  
6 Secretary of Energy, the NPC undertook a comprehensive study  
7 which updates the council's 1971 report that was entitled  
8 "Environmental Conservation - The Oil and Gas Industries".  
9 And in his request the Secretary stated that special  
10 emphasis should be placed on determining the environmental  
11 problems that are most serious and impact current -- and  
12 the impact of current environmental control regulations  
13 on the availability and cost of petroleum products and  
14 natural gas.

15 It's appropriate that the council update the  
16 prior study at this time. The climate under which the  
17 petroleum industry operates today has changed dramatically  
18 in the last ten years since that report.

19 The energy supply/demand balance has shifted  
20 significantly and there is a newly recognized need for  
21 energy security.

22 Achieving energy security requires that environmental  
23 concerns be balanced against the need to develop domestic  
24 energy supplies. For the rest of this century increasing  
25 emphasis will be placed on the development of non-oil and



1 non-gas resources such as coal, nuclear and synthetic  
2 fuels. As a result, environmental considerations should  
3 recognize the changing mix of energy supply.

4 The petroleum industry has made substantial  
5 progress in environmental conservation during the past decade.  
6 And in the major environmental concerns perceived in 1970  
7 as arising from the industry itself are now vastly diminished  
8 because pollution sources are under effective control.

9 Many of the environmental control strategies in  
10 place today are based in large part on environmental  
11 legislation and regulations written during the 1960s and  
12 1970s. A re-examination of these control strategies is  
13 appropriate as some may place unnecessary constraints on  
14 domestic energy development.

15 A committee was appointed by the chairman of the  
16 council to develop a response to the Secretary's request.  
17 The Honorable William A. Vaughan, Assistant Secretary,  
18 Environmental Protection, Safety and Emergency Preparedness,  
19 U.S. Department of Energy, was designated and served as  
20 the government co-chairman.

21 The committee was assisted by a coordination  
22 subcommittee and five task groups, which are as follows:  
23 air quality, water quality, land use, hazardous waste and  
24 synthetic fuels. While the groups were formed by area  
25 of environmental impact, the report is organized by industry

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1 segment with cost cutting sections on areas such as product  
2 use, energy facility siting and spills of oil and hazardous  
3 substances.

4 The area of synthetic fuels was treated differently.  
5 The committee recognized the importance of the synthetic  
6 fuels industry. However, it also recognized that as the  
7 industry is just entering the commercialization stage and  
8 overall assessment of this rapidly changing scene could  
9 not be accomplished without -- within the same amount of  
10 time as assessment of mature, conventional petroleum industry.

11 Thus, the committee limited itself to evaluating  
12 recent literature of the subject, principally the 1980  
13 Department of Energy report "Synthetic Fuels and the  
14 Environment" and offering recommendations for improvement  
15 in any future such studies and general conclusions regarding  
16 the potential impact of the synfuels industry on the  
17 environment.

18 The committee met on October 29, 1981, and agreed  
19 to present its report to the council in two parts: The  
20 overview volume under consideration today and a more  
21 detailed report to be considered by the committee in early  
22 1982.

23 The detailed report will provide more extensive  
24 descriptions of industry operations and their relationships  
25 to the environmental quality.

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1           The objective of the committee's efforts are two-  
2 fold. First, to describe current industry operations and  
3 explain the facilities and its procedures that are used  
4 to protect the environment.

5           And second, to focus attention on specific  
6 areas of environmental law and regulation that have directly  
7 affected the availability and cost of petroleum products  
8 and natural gas.

9           A number of findings and conclusions are outlined  
10 in the executive summary and I will briefly summarize them  
11 here.

12           First, the area of industry impact on the environ-  
13 ment. The impact on the environment from current and  
14 projected routine, conventional petroleum industry operations  
15 are largely known and controlled. During the past decade,  
16 the industry made significant progress in reducing its  
17 impact on the environment. However, certain long-term  
18 possible impacts are still being investigated.

19           Accidental releases of oil and hazardous substances  
20 from convention and routine petroleum industry operations  
21 usually do not constitute an irreversible or serious long-  
22 term environmental hazard. However, underground contamina-  
23 tion can create serious local problems and further definition  
24 of the extent and degree of risk is required.

25           The projected synthetic fuel industry operations

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1 when assessed on a site and process-specific basis are not  
2 expected to cause a major threat to the environment. This  
3 does not imply that the potential for some long-term  
4 chronic effects or regional scale problems has been  
5 eliminated.

6 As the industry enters the commercial development  
7 stage, more operational data, together with existing research  
8 will be available for environmental evaluation and additional  
9 studies.

10 Second, environmental impediments to timely  
11 energy resource development. The committee examined the  
12 impact of environmental legislative regulatory and  
13 administrative actions that adversely affect the cost and  
14 availability of petroleum products. The principal concern  
15 of the committee is a delay and uncertainty associated with  
16 some regulatory requirements.

17 The list of environmental impediments is divided  
18 by area of impact; that is, land use, air quality, water  
19 quality and hazardous waste matters.

20 Third, the committee tried to foresee what will  
21 be the environmental problems that must be addressed in  
22 the next decade. And this is not an easy area where we  
23 tried to outline in the report what we thought might be  
24 the areas of issue.

25 And as I said, with synthetic industry, we basically

1 have tried to identify what might be the future impacts.

2 While the need for additional reports at this  
3 time is questioned, the committee recommends that should  
4 additional reports be undertaken the scope of the analysis  
5 be brief; issue oriented, or site specific rather than all  
6 inclusive. Separate analyses would avoid the problem  
7 encountered when dissimilar problems are treated as equally  
8 critical. And clearer knowledge would be gained of the  
9 particular needs of each technology.

10 Mr. Chairman, that concludes my presentation.  
11 I would also like to thank the committee members and their  
12 staff who worked very hard to put this together. As Bob  
13 Anderson said, my job was mostly waving a gavel around from  
14 time to time.

15 And I would move that the National Petroleum  
16 Council adopt this draft report on environmental conservation  
17 subject to final editing and, as I said at the beginning,  
18 with the expectation of a supplement to come along on the  
19 detailed data.

end #3

#4

20 CHAIRMAN BOOKOUT: Thank you very much, Al.

21 You have heard the motion. It's really what we  
22 are being asked to consider is in two part. That we adopt  
23 at this time the draft report and at a later meeting we  
24 will consider a final report which, if my understanding  
25 is correct, will be further documentation and statistical

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1 treatment that supports the summary report that's being  
2 proposed at this time.

3 I wonder if I might have a second of that motion.

4 VOICE: Seconded.

5 CHAIRMAN BOOKOUT: Is there any discussion?

6 Okay, all in favor say aye, please.

7 (Chorus of ayes.)

8 CHAIRMAN BOOKOUT: Nay? The ayes have it. Thank  
9 you very much, Al, for your report and we, too, would like  
10 to thank your committee and all of its efforts and we will  
11 look forward to receiving the final report in the spring  
12 council meeting.

13 Perhaps on that note it's a good time to attempt  
14 to set the date for the spring meeting, and I would propose  
15 to you that you mark in your calendars at this time  
16 April 21st for our next meeting. And this date will be  
17 confirmed to you, of course, by the council staff.

18 I want to thank each council member for the support  
19 evidence during the past year in the preparation of these  
20 studies that you have heard. Your thoroughness and that  
21 of your staffs' effort and dedication are obvious, I think,  
22 in the final products that we have had a chance to review  
23 before coming to this meeting.

24 Of course, all of this takes money. And the  
25 Finance Committee met yesterday to examine the council's

1 operating budget and John Phillips is chairman of the  
2 Finance Committee, will now present the committee's report.  
3 Mr. Phillips.

4 MR. PHILLIPS: Mr. Chairman, the Finance Committee  
5 did meet yesterday to review the financial status of the  
6 council and I am pleased to report that the financial condi-  
7 tion is excellent.

8 As you may recall, the calendar 1981 budget was  
9 \$1,800,000. The actual expenditures for '81 are expected  
10 to be well below that and we will end the year with a sizeable  
11 surplus.

12 The committee reviewed and discussed a proposed  
13 budget for calendar year 1982. Since we were uncertain  
14 about the exact level of activity what requests might come  
15 from the Secretary to expect in 1982, we reviewed a couple  
16 of alternatives. Our recommendation to you is to approve  
17 a calendar year 1982 budget of \$1.75 million, which would  
18 reflect a moderate level of activity.

19 Given our assumptions for interest income and  
20 publication sales, member contributions would need to be  
21 no greater than this past year, which you recall you were  
22 given a 10 percent reduction in your contributions.

23 We would propose to earmark the calendar year  
24 1981 surplus for either an increased level of activity or  
25 another reduction in members' contributions. Members'

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1 contributions are on a fiscal year of July 1-June 30th,  
2 whereas our budgeting is on a calendar year.

3 The decision as to whether we need to utilize  
4 the surplus for additional activity or reduction in contri-  
5 butions will be made at the April meeting in view of what  
6 the Secretary has requested.

7 Accordingly, Mr. Chairman, the Finance Committee  
8 recommends that the council approve at this time the  
9 calendar year '82 operating budget of \$1,750,000; 1982  
10 contributions at the same level as 1981; and such other  
11 additional expenditures as may be necessary from the  
12 contingency funds.

13 We also reviewed yesterday the activity of our  
14 auditors, our independent public accountants, Arthur Young  
15 & Company, who have been auditing the accounts of the  
16 council for the past five years. We are quite satisfied  
17 with their work and we would also recommend that Arthur  
18 Young undertake the 1981 examination of the financial state-  
19 ments of the council.

20 Mr. Chairman, I move the report of the Finance  
21 Committee, including the two action items be adopted by  
22 the council.

23 CHAIRMAN BOOKOUT: Thank you very much, John.  
24 You have heard Mr. Phillips' motion on auditors as well  
25 as establishing a proposed budget. Is there a second?



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1 VOICES: Second.

2 CHAIRMAN BOOKOUT: Any discussion? All agreed,  
3 aye.

4 (Chorus of ayes.)

5 CHAIRMAN BOOKOUT: Thank you very much. Thank  
6 you, John. Council appreciates your committee's excellent  
7 supervision of our finances and I must say we are all amazed  
8 to find that in these inflationary times that you could  
9 reduce our requirements by 10 percent and I suspect that  
10 you have, you know, earned yourself a job for life and we  
11 will keep you.

12 (Laughter)

13 CHAIRMAN BOOKOUT: The next agenda item is, indeed,  
14 a sad one for it marks the passing of two distinguished  
15 council members. Frank E. Fitzsimmons, General President  
16 of the International Brotherhood of Teamsters, and Robert  
17 R. Herring, Chairman of the Board and Chief Executive Officer  
18 of Houston Natural Gas Corporation.

19 Mr. Fitzsimmons was appointed to the council on  
20 January 1975 and served on the NPC committees of Future  
21 Energy Prospects, U.S. Petroleum Inventories and Storage  
22 and Transportation Capacities and Arctic Oil and Gas  
23 Resources.

24 Mr. Herring was appointed to the council in 1979,  
25 was known and respected, of course, by his peers and

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1 colleagues. He served on the NPC committees on Unconventional  
2 Gas Sources and Environmental Conservation.

3 Ladies and gentlemen, I propose that we rise  
4 for a moment of silent reflection in memory of these two  
5 fine gentlemen.

6 (Pause)

7 CHAIRMAN BOOKOUT: I have a very pleasant task  
8 before me today and that's to recognize a former chairman  
9 of the council for his accomplishments over the years. You  
10 all realize that the council has served the federal govern-  
11 ment for over 35 years, growing out of the cooperation between  
12 industry and the government during World War II.

13 Only one current member of the NPC was present  
14 at the establishment of the council in 1946. And that man  
15 recently told Secretary Edwards that he thinks it's time  
16 for him to step down and not be considered for reappointment  
17 to the council.

18 I could not allow Jake Hamon to retire from the  
19 council without special recognition of his lifetime of service  
20 to the council and to the petroleum industry generally.  
21 Many of you know Jake's record. He was 17 when he went  
22 to work full-time in the oil patch and he's never looked  
23 back.

24 While Jake has always been committed to finding  
25 and developing oil and gas, in fact in 1964 he has the single

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1 claim, he drilled the deepest producing well in the world.  
2 He has also had time though to devote to industry and civic  
3 affairs and we have all benefited by that.

4 During World War II he was active in the petroleum  
5 industry war council and his dedication to his successor,  
6 our own National Petroleum Council has never wanned.

7 He was chairman of the council from 1964 to '66  
8 and he served on or chaired more NPC committees during his  
9 tenure than I certainly have time to recite. Special mention  
10 should be made, however, of his leadership and judgement  
11 he evidenced as chairman of the NPC Agenda Committee from  
12 1967 to '76.

13 Jake has received many industry and civic awards,  
14 but his place in the industry and in the development of  
15 NPC is quite unique.

16 Today, we were unfortunate in that he was unable  
17 to be with us to attend this council meeting, but we would  
18 like to show our appreciation and I have a little symbol  
19 here to mark that and we are all aware of the fact that  
20 Jake Hamon, if you -- anytime you see him he always has  
21 present his nice, large cigar. So, it seemed appropriate  
22 that we present him with this nice, silver cigar box.  
23 It's appropriately engraved recognizing his tenure with  
24 the council and although I spoke to Jake personally a few  
25 days ago, and he indeed asked that I relay to all of you

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1 his great regret that he was unable to be with us. He  
2 appreciates very much, of course, the recognition and we  
3 will get this to him by safe hand from one of our Dallas  
4 members.

5 I know all of you join me in wishing Jake well  
6 and we will miss him.

7 I have another pleasant duty today, again recognizing  
8 a previous council chairman; in this case my predecessor,  
9 Charles H. Murphy. Charlie served as chairman from 1971  
10 to '81 and displayed the same kind of leadership that we  
11 just talked about exhibited by Jake Hamon.

12 He always sought the best for the council, demanding  
13 and receiving the highest level of cooperation from the  
14 membership. The Secretary of Energy honored Charlie a year  
15 ago with his Distinguished Service Medal. And it is appropriate  
16 and my personal pleasure to present with him today a little  
17 token of our appreciation and thanks for a job well done.

18 Charlie, would you come forward, please?

19 Charlie, we heard that you needed a watch and  
20 we heard you needed a watch because your watch went overboard.  
21 Now, that's better than your billfold going overboard as  
22 you must know. So, we thought we would mix, you know,  
23 functional use with appreciation and give you this waterproof  
24 gold watch.

25 (Applause)

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1 MR. MURPHY: John, thank you very much, and above  
2 all thank you for relieving me. You know, I am reminded  
3 of a little incident at the end of the war when I was assigned  
4 to an outfit that had seen pretty heavy action coming up  
5 through New Guinea and the Phillipines, and one of our  
6 sergeants was awarded the Silver Star. And we put on about  
7 the nearest thing to a formal retreat parade that was possible  
8 at that time and place, and the colonel read the citation,  
9 pinned the medal on the sergeant. And he said, "At ease  
10 now, Sergeant, the battallion would like to hear your  
11 response."

12 Well, he still stood at rigid attention, deep  
13 red and says "Well, sir, I just think I ought to tell you  
14 this. I never intended to be a God-damn hero."

15 (Laughter)

16 (Applause)

17 CHAIRMAN BOOKOUT: Charlie, I am relieved that  
18 you didn't make reference to the fact that some people drop  
19 billfolds overboard.

20 Well, ladies and gentlemen, this brings us to  
21 our final agenda item for this morning. And does any council  
22 member have any matter to raise at this time? Old business?  
23 New business? Okay, it seems like we have no problems.  
24 There being no further business, I would like to request  
25 that the council officers and study committee representatives

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1 remain at the head table following the meeting to respond  
2 to any questions on council business from the press.

3 Thank you very much. Good luck.

4 Wait a minute, I had better adjourn the meeting  
5 if that's alright.

6 (Whereupon, at 10:53 o'clock a.m., the  
7 meeting was concluded.)

end jfb

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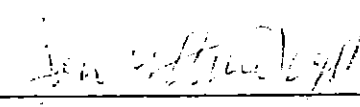
CASE TITLE: Advisory Committee to the Secretary of Energy

HEARING DATE: December 3, 1981

LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence herein are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before National Petroleum Council and that this is a true and correct transcript of the same.

Date: December 3, 1981

  
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